

**STATE RETIREMENT SYSTEM**  
**2000-2005 EXPERIENCE STUDY**

**Effect of Proposed Assumptions**

For illustration, the effect of the proposed changes to the salary scale and demographic assumptions based on the January 1, 2006 valuation results is shown below. In light of the common goal of addressing the pension funding of the Commonwealth in a disciplined and appropriate manner, it is recommended that no change in the existing funding schedule take place at this time that would reduce the current level of appropriation.

1. Number of Members:			
Active Members		83,178	
Term. Vested Members		3,033	
Retirees and Survivors		<u>50,593</u>	
Total		136,804	
2. Total Annual Regular Compensation		\$4,200,577,139	
3. Average Annual Regular Compensation		\$50,501	
Development of Total Cost (in thousands)	Current Assumptions	Proposed Assumptions	Increase/Decrease
4. Normal Cost			
a. Total Normal Cost	\$516,852	\$504,800	(\$12,052)
b. Employee Contributions	<u>\$349,199</u>	<u>\$346,000</u>	<u>(\$3,199)</u>
c. Net Normal Cost	\$167,653	\$158,800	(\$8,853)
5. Actuarial Accrued Liability			
a. Active Members	\$10,093,928	\$10,115,600	\$21,672
b. Vested Terminated Members	\$355,900	\$355,900	\$0
c. Non-vested Terminated Members	\$93,336	\$93,336	\$0
d. Retirees and Survivors	<u>\$9,863,762</u>	<u>\$9,863,762</u>	<u>\$0</u>
e. Total Actuarial Liability	\$20,406,926	\$20,428,598	\$21,672
6. Actuarial Value of Assets	<u>\$16,638,043</u>	<u>\$16,638,043</u>	<u>\$0</u>
7. Unfunded Actuarial Liability: (5e)-(6)	\$3,768,883	\$3,790,555	\$21,672
8. Funded Ratio: (6) / (5e)	81.5%	81.4%	(0.1%)
9. Amortization of unfunded liability (17 year, 4.5% increasing)	\$289,600	\$291,265	\$1,665
10. Total Cost: (4c) + (9)	\$457,253	\$450,065	(\$7,188)
11. Total Cost FY07: (10) x 1.0825	\$494,976	\$487,195	(\$7,781)

Our results are shown for comparison only and assume a 17 year, 4.5% annual increasing schedule on a fresh start basis. The results of the State valuation represent only one of the components of the total Commonwealth obligation. The determination of the funding schedule for the Commonwealth would also include the results of the State Teachers' valuation, Boston teachers, and the local COLA liability.